

Message Text

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ACTION EUR-25

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TAGS: ENRG, EFIN, ETRD, YO

SUBJECT: SMOLE INTERVIEW FOLLOWING ROME C-20 MEETING

1. POLITIKA OF JANUARY 23 CARRIES LENGHTY INTERVIEW WITH
FINANCE SECRETARY JANCT

MOLE ON RESULTS OF ROME C-20 MEETING

AND CONCURRENT MEETING OF COMMITTEE OF 24 LDCS.

2. HIGHLIGHTS OF INTERVIEW ARE A) RECOGNITION BY SMOLE OF
"SERIOUS CONSEQUENCES" OF ARAB OIL EMBARGO ON DEVELOPED AND
DEVELOPING COUNTRIES; B) "ENCOURAGING EVIDENCE OF READINESS",
HE FOUND ON PART OF FINANCE MINISTERS FROM OIL-PRODUCING
COUNTRIES TO WORK OUT SYSTEM OF DIRECT ASSISTANCE FOR DEVELOPING
COUNTRIES.

3. ACCORDING TO SMOLE, COMMITTEE OF 24 LDCS - INCLUDING
REPRESENTATIVES OF OIL PRODUCING COUNTRIES -- EXPRESSED
"CONVICTION AND READINESS WITH RESPECT FOR CONCRETE
AGREEMENTS" TO RESOLVE LDC BALANCE OF PAYMENTS DEFICITS CAUSED
BY OIL PRICE HIKES. SUCH CONCRETE AGREEMENTS SHOULD BE REACHED

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AS SOON AS POSSIBLE, AND IN SPIRIT OF UNDERSTANDING AND COOPERA-

TION. GROUP OF 24 ALSO REPORTEDLY AGREED THAT TEMPORARY BALANCE OF PAYMENTS IMBALANCES SHOULD NOT DIVERT ATTENTION FROM BASIC NECESSITY FOR CONTINUED TRANSFER OF RESOURCES FROM DEVELOPED TO DEVELOPING COUNTRIES.

4. SMOLE ALSO SAID THAT LDC GROUP EXPRESSED CONCERN THAT OIL SUPPLY PROBLEMS AND BALANCE OF PAYMENTS DIFFICULTIES MIGHT LEAD TO ADOPTION OF POLICIES HARMFUL TO OTHER COUNTRIES; E.G., COMPETITIVE DEVALUATIONS, TRADE/AID RESTRICTIONS. CLOSE COOPERATION AND CONSULTATION IS REQUIRED.

5. COMMENT. SMOLE'S THEME ON NEED FOR OIL-PRODUCING COUNTRIES TO COMPENSATE LDCS FOR "SERIOUS CONSEQUENCES" OF OIL EMBARGO AND PRICE INCREASES WAS ALSO PICKED UP IN FOREIGN MINISTER MINIC'S SPEECH TO FEDERAL ASSEMBLY JANUARY 24 (SEPTTEL). MAGNITUDE OF PROBLEM FACING LDCS IS CLEAR TO YUGOSLAVS SINCE THEY TOO EXPECT TO SUFFER "SERIOUS CONSEQUENCES" FROM OIL PRICE HIKES. NATIONAL BANK GOVERNOR TOLD ECONOMIC/COMMERCIAL CONSELOR RECENTLY THAT OIL IMPORTS IN 1974 WILL COST YUGOSLAVIA FULLY 25 PERCENT OF TOTAL 1973 EXPORT EARNINGS (\$2.8 BILLION). YUGOSLAVS MAY BEGIN TO TAKE LEADERSHIP ROLE AMONG LDCS TO PROTECT THEIR DOMESTIC ECONOMIC INTERESTS AND IN SUPPORT OF USE OF OIL-PRODUCING COUNTRIES' REVENUE FOR DEVELOPMENT PURPOSES. JOHNSON

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